



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

For the three and twelve months ended December 31, 2017

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The following management's discussion and analysis of financial condition and results of operations ("MD&A") of Jamieson Wellness Inc. (together with its subsidiaries), referred to herein as "Jamieson", the "Company", "we", "us" or "our", is dated as of February 22, 2018. It should be read in conjunction with our audited consolidated annual financial statements and our accompanying notes for the year ended December 31, 2017.

Our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These audited consolidated annual financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to "Q4 2017" are to our fiscal quarter ended December 31, 2017 and to "Q4 2016" are to our fiscal quarter ended December 31, 2016.

See "*Forward-Looking Information*" and "*Risk Factors*" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those referred to under the heading "*Risk Factors*" and elsewhere in this MD&A.

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. Management uses these non-IFRS financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "gross profit", "gross profit margin", "operating margin" "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted Net Income" and "Adjusted Diluted Earnings per Share", to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS measures in order to prepare annual operating budgets and to determine components of management compensation.

Forward-Looking Information

Certain statements contained in this MD&A including, in particular, in the sections below entitled "*Summary of Factors Affecting our Performance*", "*Liquidity and Capital Resources*", "*Outlook*" and "*Risk Factors*", contain forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

In addition, our assessments of, and targets for, annual revenue, Adjusted EBITDA and certain other measures are considered forward-looking information. See “*Outlook*” for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

This forward-looking information is based on management’s opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the ability to pursue further strategic acquisitions; our ability to source raw materials and other inputs from our suppliers; our ability to continue to innovate product offerings that resonate with our target customer base; our ability to retain key management and personnel; our ability to continue to expand our international presence and grow our brand internationally; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes to trends in our industry or global economic factors; and changes to laws, rules, regulations and global standards are material factors made in preparing the forward-looking information and management’s expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management’s expectations as of the date of this MD&A and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except (i) as required under applicable securities laws in Canada and (ii) to provide updates in our annual MD&A for each financial year up to and including that in respect of 2021 on our growth targets disclosed in our final prospectus (the “Prospectus”) dated June 29, 2017 in respect of our initial public offering (the “Initial Offering”), including to provide information on our growth targets disclosed in such prospectus, actual results and a discussion of variances from our growth targets. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to those described below and referred to under the heading “*Risk Factors*”.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Overview

Founded in 1922, Jamieson is Canada’s leading branded manufacturer, distributor and marketer of high quality natural health products. We offer consumers a comprehensive and innovative line of branded vitamins, minerals and supplements (“VMS”) products and certain over-the-counter remedies through our Jamieson and Lorna Vanderhaeghe Health Solutions Inc. (“LVHS”) brands as well as sports nutrition products through our Progressive, Precision and Iron Vegan brands, all of which we refer to as our “Jamieson Brands” segment. In addition to our Jamieson Brands segment, we also offer comprehensive manufacturing and product development services on a contract manufacturing basis to select blue-chip consumer health companies and retailers worldwide, which we refer to as our “Strategic Partners” segment.

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada’s #1 overall consumer health brand by sales and Canada’s #1 brand in VMS by sales. Our trusted reputation and success in Canada has allowed us to significantly grow the business internationally, with products being sold in 40 countries worldwide.

Our trusted reputation, strong industry relationships and certifications and commitment to meeting the highest standards of manufacturing together with high quality production capabilities, attract opportunities for us to manufacture products for select blue-chip consumer health companies and retailers worldwide. Combining deep

consumer insights with extensive research and development capabilities, we deliver category-leading innovation and growth.

Our leading market position and brand, focus on quality and innovation and extensive selection of products make us the preferred partner for retailers in Canada.

Initial Public Offering

On July 7, 2017, we successfully completed the Initial Offering. Our common shares are listed for trading on the Toronto Stock Exchange under the stock symbol “JWEL”.

Immediately prior to the closing of the Initial Offering, we executed the following transactions (the “Reorganization”): (i) declared accrued and unpaid dividends on the then outstanding Class A to V (as defined herein) and Class W (as defined herein) preferred shares in an aggregate amount of \$9.6 million, which dividends (net of Part XIII tax withholdings (the “Dividend Tax Withholding”)) were satisfied through the issuance of promissory notes (the “Dividend Notes”); (ii) returned capital on the then outstanding Class A to V preferred shares in the aggregate amount of \$65.1 million, which return of capital was satisfied through the issuance of promissory notes (the “ROC Notes”); (iii) redeemed all of the then outstanding Class W preferred shares in exchange for a note payable of \$94.6 million (“Class W Promissory Note”); and (iv) agreed to remit the Dividend Tax Withholding and Finco Tax Payable (as defined herein) (refer to “*Liquidity and Capital Resources – Related Party Transactions – Due to Jamieson Finco LP*”) in the aggregate amount of \$5.8 million.

Following the transactions described immediately above and also forming part of the Reorganization: (i) each of the holders of the then outstanding Class A – V preferred shares converted their shares on a 1:1 basis into common shares of the Company; and (ii) the Company filed articles of amendment to split each common share into 20.81010939 common shares, add a new class of preferred shares and eliminate the Class A common shares and Class A – W preferred shares. In addition, the Company amended and restated the Legacy Option Plan as of July 5, 2017 (“Legacy Option Plan”) and entered into option exchange agreements.

The Initial Offering consisted of the offering to the public of 19,050,000 common shares consisting of a treasury issuance by the Company of 15,554,755 common shares and a secondary offering of 3,495,245 common shares by certain selling shareholders (the “Selling Shareholders”), including Jamieson Intermediate Holdings S.à r.l. (“CCMP”), an entity which is controlled by certain funds to which investment advisory services are provided by CCMP Capital Advisors, LP. The Initial Offering price of \$15.75 per common share resulted in net proceeds to the Company of \$232.1 million, and \$52.2 million to the Selling Shareholders after underwriting commissions of \$15.8 million. In addition, CCMP granted to the underwriters an over-allotment option (the “Over-Allotment Option”) to purchase up to an additional 2,857,500 common shares from CCMP (or an affiliate) at an exercise price of \$15.75. The Over-Allotment Option was fully exercised after the Initial Offering and closed on July 14, 2017 and raised additional net proceeds of \$42.6 million after underwriting commissions of \$2.4 million for one of the Selling Shareholders.

On July 7, 2017, the Company used a portion of the proceeds from the Initial Offering to: (i) make a loan to Jamieson Laboratories Ltd. (“JLL”), \$50.0 million of which was used by JLL on the same day to repay a portion of its Term Loan Facility (as defined herein) (refer to “*Liquidity and Capital Resources – Credit Facilities*”); and (ii) repay the Dividend Notes, the ROC Notes, the Class W Promissory Note, the Dividend Tax Withholding and the Finco Tax Payable, such that these obligations are no longer outstanding.

On July 7, 2017 the Company adopted a long-term incentive plan (the “LTIP”). In conjunction with the closing of the Initial Offering, options to purchase 679,944 common shares were granted under the LTIP to directors, officers and certain employees of the Company.

Also on July 7, 2017 after the closing of the Initial Offering, CCMP transferred all of its common shares of the Company to its affiliate, CCMP Capital Investors III Aggregator (AV-3) Ltd. (“CCMP Aggregator”). On August 3, 2017, CCMP Aggregator transferred all of its common shares of the Company to its shareholders, on a pro rata

basis, including CCMP Capital Investors III (AV-3), L.P. (“CCMP AV-3”) and CCMP Capital Investors III (AV-3) Employee, L.P. (“CCMP AV-3 Employee”, and together with CCMP AV-3, the “CCMP Shareholders”).

Secondary Offering

On October 18, 2017, a secondary offering (the “Secondary Offering”) by certain shareholders of the Company of common shares, including the sale by the CCMP Shareholders of all the common shares held by them, was completed.

The Secondary Offering of 14,778,751 common shares, including 1,758,751 common shares which were sold by the CCMP Shareholders to the underwriters upon the exercise in full of the over-allotment, raised gross proceeds of \$Nil for the Company and \$273.4 million for the selling shareholders, at a price of \$18.50 per common share. Underwriting fees were paid by the selling shareholders, and other expenses related to the Secondary Offering of approximately \$0.7 million were incurred and paid by the Company.

The closing of the Secondary Offering constituted a change of control event, as a result of which, the remaining service based options granted under the Legacy Option Plan vested (amounting to an aggregate of 852,314 options to purchase common shares), resulting in an acceleration of expense of \$1.0 million.

Summary of Factors Affecting Our Performance

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under “*Risk Factors*”.

Our Brand

Our iconic brand has been built around consumer trust through focus on product quality, purity and potency. Our well-established brands include Jamieson, LVHS, Progressive, Precision and Iron Vegan. Maintaining, enhancing and growing our brand appeal in Canada and internationally is critical to our continued success. Failure to maintain and enhance our brands in any of the targeted markets may materially and adversely affect the business, results of operations or financial condition.

Product Innovation and Planning

We believe that product innovation is integral to our success and following our acquisition by CCMP in 2014, we increased our focus on innovation as a key pillar of our growth. We believe these changes have thus far accelerated our pace of innovation and allowed us to increase our speed to market with the introduction of new products, providing us with the ability to turn concept development into sales in as little as twelve weeks. Furthermore, in the past 20 years, we have developed over 2,000 individual formulations. We believe our pace of innovation and speed to market with the introduction of new products provide us with a competitive advantage within the space in which we compete.

Our business is subject to changing consumer trends and preferences which is dependent, in part, on continued consumer interest in our new products, line extensions and reformulations. The success of new product offerings, enhancements, or reformulations depends upon a number of factors, including our ability to: (i) accurately anticipate customer needs; (ii) develop new products, line extensions or reformulations that meet these needs; (iii) successfully commercialize new products, line extensions and reformulations in a timely manner; (iv) price products competitively; (v) manufacture and deliver products in sufficient volumes and in a timely manner; (vi) differentiate product offerings from those of competitors; and (vii) maintain relationships with scientist employees and consultants and members of our panel of consumer health industry experts, which we call the Jamieson Scientific Advisory Board, in order to benefit from their expertise and innovations.

Customer Relationships

We have longstanding and deeply entrenched customer relationships with Canada's top retailers across the food, drug, mass, club, health food store, specialty and online retail channels. We sell products through our knowledgeable retail partners and we are dependent on retail partners across all channels to display and present our products to customers, in their brick and mortar stores and on their online e-commerce sites. Our partners service customers by stocking and displaying our products, and, in certain health food and other specialty stores, explaining product attributes and health benefits. Our relationships with these retail customers are important for consumer trust in the brand and the advertising and educational programs we continue to deploy. Failure to maintain these relationships with retail partners or financial difficulties experienced by these retail partners could adversely affect our business.

Sourcing and Production

We have developed a strong, global supply chain based on long-standing relationships. The majority of our suppliers have had a relationship with us for over ten years. We purchase our ingredients from nearly 200 high quality raw material ingredient and packaging suppliers worldwide and potential suppliers are subject to a rigorous evaluation process by our quality assurance department. We are dependent on a stable and consistent supply of materials and inputs, including ingredients and packaging products. Although materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a restricted number of suppliers. In 2017, our top ten suppliers accounted for approximately 50% of our purchases. As is customary in the consumer health industry, we do not have long-term written contracts with most suppliers and often enter into one year contracts for raw materials at fixed prices to provide additional time to address price increases and mitigate margin erosion.

Consumer Trends

The Canadian consumer health industry is subject to shifts in consumer trends, preferences and consumer spending and our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. As a result of our broad product scope and our strong innovation capabilities, we believe that we are well-positioned to respond to these shifts in consumer trends, preferences and consumer spending.

Our revenue is also impacted by consumer spending habits, including spending on our products, which are affected by many factors that are beyond our control, including, but not limited to, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, and consumer perception of economic conditions.

Competition

The market for VMS and sports nutrition products is highly competitive. Our direct competition consists of publicly and privately owned companies, which tend to be highly fragmented in terms of both geographic market coverage and product categories. In many of our product categories, we compete not only with widely advertised branded products, but also with private label products. Given our significant scale and broad product scope relative to our competition, our iconic brand status, our strong innovation capabilities and our high-quality manufacturing, we believe that we are well-positioned to capitalize on favorable long-term trends in the VMS and sports nutrition segments. The specialized knowledge, expertise, and certifications required for production of VMS and sports nutrition products, is generally a significant barrier to entry for new competitors. Internationally, our competition varies by market and we have a strategic approach to entering international markets, which includes evaluating certain factors in each market, such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

Foreign Exchange

We currently benefit from a natural currency hedge by purchasing certain materials and inputs in U.S. dollars and selling our products internationally in U.S. dollars. With respect to sales in Canada, we are exposed to fluctuating US-Canadian currency exchange rate where the products sold contain materials and inputs purchased with

U.S. dollars. We manage net exposure to fluctuating US-Canadian currency exchange rate with foreign exchange hedging contracts. We do not have foreign exchange hedging contracts in place with respect to all currencies in which we currently do business but may, from time to time, enter into additional foreign exchange hedging contracts in respect of other foreign currencies.

Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. There can be no assurance that our hedging strategies, if any, will be effective in the future or that we will be able to enter into foreign exchange hedging contracts on satisfactory terms.

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to further broaden and diversify product offerings, and leverage current manufacturing and distribution facilities for new products. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce our profitability. We believe we have demonstrated our ability to successfully identify, integrate and grow businesses that we acquire. Since 2014, management has successfully made three acquisitions in line with our strategy.

Implementation of Growth Strategies

We have a successful track record of growing revenues faster than the broader VMS segment and we believe we have a strong domestic and international growth strategy in place aimed at continuing to exceed broader industry growth rates. Our future success depends, in part, on management's ability to implement our growth strategy, including (i) product innovations within existing categories and growth into adjacent categories and continued growth of existing products in existing categories; (ii) further penetration into international markets and new geographies; (iii) growth in the Strategic Partners segment; and (iv) in support of our profitability targets, improvements in operating income, gross profit and operating expense margins. The ability to implement this growth strategy depends, among other things, on our ability to develop new products and product line extensions that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the channels in which we compete and identify and successfully enter and market products in new geographic markets, market segments and categories.

Regulation

In Canada and in the other jurisdictions in which we operate, we are subject to the laws and regulations applicable to any business engaged in formulation, production and distribution of consumer health products. This includes natural health product regulations, laws governing advertising, consumer protection regulations, environmental laws, laws governing the operation of warehouse facilities and labour and employment laws. We hold all required Health Canada site licenses, Canadian Food Inspection Agency certifications and import licenses for all of our manufacturing and distribution centres. Our products sold outside of Canada are subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and we continuously monitor changes in these laws, regulations, treaties and agreements.

There is currently no uniform regulation applicable to natural health products worldwide and there has been an increasing movement in certain foreign markets to increase the regulation of natural health products. The adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in compliance costs or lead us to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in loss of sales. We believe that Canadian regulations are amongst the most stringent worldwide and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

How We Assess the Performance of our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, certain of which are not recognized under IFRS. See “*Non-IFRS Financial Measures*”.

Revenue

The majority of our revenue is derived from the sale of Jamieson Brands products to distributors, retail and wholesale customers, as well as providing contract manufacturing services and the sale of product through our Strategic Partners segment.

We recognize revenue from product sales at the fair value of the consideration received or receivable, net of estimated returns and an estimate of sales incentives provided to customers excluding taxes or duty. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, we have satisfied our performance obligations under the arrangement, and have no ongoing involvement with the sold product. Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured, regardless of when the payment is received. The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to our customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, we monitor the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required. A provision for returns and sales is recognized at the time the product is sold and recognized as a reduction to revenue.

Gross Profit

“Gross profit” is defined as revenue less cost of sales. Cost of sales includes product-related costs, labour costs, other operating costs such as rent, repair and maintenance costs, fixed fee trade cost and amortization. Our cost of sales may include different costs compared to other manufacturers and distributors in the Canadian consumer health industry. Management believes that gross profit is a useful measure in assessing the Company’s underlying operating performance before sales, general, and administrative (“SG&A”) expenses and share-based compensation.

Gross Profit Margin

“Gross profit margin” is defined as gross profit divided by revenue.

SG&A

Our SG&A expenses are predominantly comprised of wages, benefits, travel, marketing, accounting fees, legal fees and other expenses related to the corporate infrastructure required to support our business. We expect our SG&A expenses to increase as we incur additional regulatory, legal, accounting, insurance and other expenses associated with being a public company.

Earnings from Operations

“Earnings from operations” is defined as gross profit less SG&A expenses and share-based compensation.

Operating Margin

“Operating margin” is defined as earnings from operations divided by revenue.

EBITDA

“EBITDA” is defined as net income (loss) before: (i) provision for (recovery of) income taxes; (ii) interest (income) expense and other financing costs; (iii) preferred share accretion; (iv) depreciation of property, plant, and equipment; and (v) amortization of intangible assets.

Adjusted EBITDA

“Adjusted EBITDA” is defined as EBITDA before: (i) share-based compensation; (ii) amortization of fair value adjustments; (iii) foreign exchange (gain) loss; (iv) termination benefits and related costs; (v) acquisition costs; (vi) purchase consideration accounted for as compensation expense; (vii) public offering costs; and (viii) other non-operating, non-recurring and non-cash costs. We believe Adjusted EBITDA is a useful measure to assess the performance and cash flow of our Company as it provides more meaningful operating results by excluding the effects of interest, taxes, depreciation and amortization costs, expenses we believe are not reflective of our underlying business performance and other one-time, non-recurring or non-cash expenses.

Adjusted EBITDA Margin

“Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by revenue.

Adjusted Net Income

“Adjusted Net Income” is defined as consolidated net income (loss) adjusted for the impact of: (i) share-based compensation; (ii) amortization of fair value adjustments; (iii) amortization of deferred financing fee; (iv) foreign exchange (gain) loss; (v) termination benefits and related costs; (vi) acquisition costs; (vii) purchase consideration accounted for as compensation expense; (viii) public offering costs; (ix) net interest forgiveness; (x) preferred share accretion; and (xi) other non-operating and non-recurring costs net of related tax effects. We believe Adjusted Net Income is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance and other one-time or non-recurring expenses.

Adjusted Diluted Earnings per Share

“Adjusted Diluted Earnings per Share” is defined as dividing Adjusted Net Income by the total number of outstanding diluted shares at the end of the most recently completed quarter. We believe Adjusted Diluted Earnings per Share is a useful measure to assess the performance of our Company as it provides a consistent number of shares from which to evaluate our underlying business performance.

Selected Consolidated Financial Information

The following table provides selected historical information and other data of the Company which should be read in conjunction with our audited consolidated annual financial statements and related notes. A reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income can be found in the below “*Results of Operations*” sections for the respective fiscal periods.

	Three months ended December 31		For the year ended December 31	
	2017	2016	2017	2016
<i>(\$ in 000's, except share and per share amounts)</i>				
Revenue	84,318	65,695	300,619	248,331
Cost of sales	53,421	41,991	195,770	167,519
Gross profit	30,897	23,704	104,849	80,812
Selling, general and administrative expenses	14,252	11,007	53,589	44,837
Share-based compensation	1,712	1,233	6,325	4,934
Earnings from operations	14,933	11,464	44,935	31,041
Operating margin	17.7%	17.5%	14.9%	12.5%
Foreign exchange loss (gain)	116	(154)	331	(192)
Termination benefits and related costs	1,633	234	4,132	1,420
Public offering costs	1,200	-	10,720	-
Acquisition costs	-	789	2,444	789
Other expenses (income)	2,981	(2,906)	9,410	(2,876)
Preferred share accretion	-	24,123	28,796	30,434
Interest expense and other financing costs	2,140	5,686	4,733	22,926
Income (loss) before income taxes	6,863	(16,308)	(15,631)	(21,460)
Provision for income taxes	3,130	2,414	8,156	3,706
Net income (loss)	3,733	(18,722)	(23,787)	(25,166)
Adjusted net income	9,749	5,101	27,582	10,910
EBITDA	11,194	15,409	26,400	39,446
Adjusted EBITDA	18,848	14,727	61,477	46,794
Net income (loss)	3,733	(18,722)	(23,787)	(25,166)
Preferred share dividend	-	-	(9,605)	-
Basic, net income (loss) attributable to common shareholders:	3,733	(18,722)	(33,392)	(25,166)
Preferred share accretion	-	-	-	-
Diluted, net income (loss) attributable to common shareholders:	3,733	(18,722)	(33,392)	(25,166)
Weighted average number of shares				
Basic	37,729,359	520,253	18,669,758	520,253
Diluted	39,639,122	520,253	18,669,758	520,253
Adjusted Diluted	39,639,122	39,639,122	39,639,122	39,639,122
Earnings per share attributable to common shareholders:				
Basic, earnings (loss) per share	0.10	(35.99)	(1.79)	(48.37)
Diluted, earnings (loss) per share	0.09	(35.99)	(1.79)	(48.37)
Adjusted Diluted, earnings (loss) per share	0.25	0.13	0.70	0.28

The following table provides selected consolidated financial position data for the periods indicated.

<i>(\$ in 000's)</i>	<u>As at December 31, 2017</u>	<u>As at December 31, 2016</u>
Selected Consolidated Financial Position Data:		
Total assets	512,555	405,179
Total non-current liabilities	210,012	305,023

Results of Operations — three months ended December 31, 2017 and 2016

The following table provides a summary of our results for the three months ended December 31, 2017 and December 31, 2016.

<i>(\$ in 000's)</i>	Three months ended December 31		\$ Change	% Change
	<u>2017</u>	<u>2016</u>		
Revenue	84,318	65,695	18,623	28.3%
Cost of sales	53,421	41,991	11,430	27.2%
Gross profit	30,897	23,704	7,193	30.3%
Selling, general and administrative expenses	14,252	11,007	3,245	29.5%
Share-based compensation	1,712	1,233	479	38.8%
Earnings from operations	14,933	11,464	3,469	30.3%
Operating margin	17.7%	17.5%	-	0.2%
Foreign exchange loss (gain)	116	(154)	270	175.3%
Termination benefits and related costs	1,633	234	1,399	597.9%
Public offering costs	1,200	-	1,200	-
Acquisition costs	-	789	(789)	(100.0%)
Other expenses (income)	2,981	(2,906)	5,887	202.6%
Preferred share accretion	-	24,123	(24,123)	(100.0%)
Interest expense and other financing costs	2,140	5,686	(3,546)	(62.4%)
Income (loss) before income taxes	6,863	(16,308)	23,171	142.1%
Provision for income taxes	3,130	2,414	716	29.7%
Net income (loss)	3,733	(18,722)	22,455	119.9%
Adjusted net income	9,749	5,101	4,648	91.1%
EBITDA	11,194	15,409	(4,215)	(27.4%)
Adjusted EBITDA	18,848	14,727	4,121	28.0%

The following table provides a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	Three months ended		\$ Change	% Change
	December 31			
	2017	2016		
Net income (loss)	3,733	(18,722)	22,455	119.9%
<i>Add:</i>				
Provision for income taxes	3,130	2,414	716	29.7%
Interest expense and other financing costs	2,140	5,686	(3,546)	(62.4%)
Preferred share accretion	-	24,123	(24,123)	(100.0%)
Depreciation of property, plant, and equipment	1,336	1,100	236	21.5%
Amortization of intangible assets	855	808	47	5.8%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	11,194	15,409	(4,215)	(27.4%)
<i>Add EBITDA adjustments:</i>				
Share-based compensation ⁽¹⁾	1,712	1,233	479	38.8%
Foreign exchange loss (gain)	116	(154)	270	175.3%
Termination benefits and related costs ⁽²⁾	1,633	234	1,399	597.9%
Acquisition costs	-	789	(789)	(100.0%)
Purchase consideration accounted for as compensation expense ⁽³⁾	2,521	-	2,521	-
Public offering costs ⁽⁴⁾	1,200	-	1,200	-
Other ⁽⁵⁾	472	(2,784)	3,256	117.0%
Adjusted EBITDA	18,848	14,727	4,121	28.0%

- (1) As per our Legacy Option Plan for directors, officers and employees and certain option exchange agreements: (i) options issued under the Legacy Option Plan became exercisable for common shares (rather than Class A common shares) and (ii) adjustments were made to reflect the share split. Following the closing of the Initial Offering, no further awards may be made under the Legacy Option Plan. In Q4 2017, a \$1.0 million expense was incurred pertaining to the accelerated vesting of certain options under the Legacy Option Plan in connection with the Secondary Offering.
- (2) As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.
- (3) In conjunction with the acquisition of Body Plus Nutritional Products Inc. (“Body Plus”) and Sonoma Nutraceuticals Inc. (“Sonoma”) on January 31, 2017, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A portion of the deferred consideration of \$9.4 million was due to be paid on the one year anniversary of the acquisition with the remaining balance payable by July 2018.
- (4) Costs related to our Initial Offering (refer to “*Initial Public Offering*”) and our Secondary Offering (refer to “*Secondary Offering*”).
- (5) In Q4 2017, the Company made investments in process improvement projects and other one-time studies commissioned to integrate the acquired Sonoma operations. In Q4 2016, the company recorded a gain, net of legal costs, related to the settlement of a dispute in connection with the acquisition of JLL from its former owner on January 31, 2014.

The following table provides a reconciliation of net income (loss) to Adjusted Net Income for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	Three months ended		\$ Change	% Change
	December 31			
	2017	2016		
Net income (loss)	3,733	(18,722)	22,455	119.9%
<i>Adjustments to net income (loss):</i>				
Share-based compensation ⁽¹⁾	978	912	66	7.2%
Foreign exchange loss (gain)	116	(154)	270	175.3%
Termination benefits and related costs	1,633	234	1,399	597.9%
Acquisition costs	-	789	(789)	(100.0%)
Purchase consideration accounted for as compensation expense	2,521	-	2,521	-
Public offering costs	1,200	-	1,200	-
Preferred share accretion	-	24,123	(24,123)	(100.0%)
Other	472	(2,784)	3,256	117.0%
Related tax effects	(904)	703	(1,607)	(228.6%)
Adjusted net income	9,749	5,101	4,648	91.1%

- (1) In Q4, 2017, this adjustment is in relation to the accelerated vesting of certain options under the Legacy Option Plan as a result of the Secondary Offering. In Q4 2016, this adjustment was in relation to JLL's acquisition of LVHS, whereby as part of the transaction, 1,067,891.57 Class B preferred shares, on a post share split basis, were placed into escrow for issuance to the former owner. These shares were converted to common shares and released from escrow as part of a series of transactions prior to the closing of the Initial Offering.

The following table provides revenue, gross profit, gross profit margin, earnings from operations, operating margin, Adjusted EBITDA and Adjusted EBITDA margin for our two operating segments for the three months ended December 31, 2017 and December 31, 2016.

Jamieson Brands

(\$ in 000's)	For the three months ended December 31,		\$ Change	% Change
	2017	2016		
Revenue	65,545	55,188	10,357	18.8%
Gross profit	27,107	22,477	4,630	20.6%
Gross profit margin	41.4%	40.7%	-	0.7%
Earnings from operations	12,732	11,330	1,402	12.4%
Operating margin	19.4%	20.5%	-	(1.1%)
Adjusted EBITDA	16,308	14,215	2,093	14.7%
Adjusted EBITDA margin	24.9%	25.8%	-	(0.9%)

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)

For the three months ended December 31,	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	12,732	11,330	1,402	12.4%
Depreciation of property, plant, and equipment	997	722	275	38.1%
Amortization of intangible assets	855	808	47	5.8%
Share-based compensation	1,712	1,233	479	38.8%
Other	12	122	(110)	(90.2%)
Adjusted EBITDA	<u>16,308</u>	<u>14,215</u>	<u>2,093</u>	<u>14.7%</u>

Strategic Partners and Eliminations

(\$ in 000's)

For the three months ended December 31,	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	18,773	10,507	8,266	78.7%
Gross profit	3,790	1,227	2,563	208.9%
Gross profit margin	20.2%	11.7%	-	8.5%
Earnings from operations	2,201	134	2,067	1542.5%
Operating margin	11.7%	1.3%	-	10.4%
Adjusted EBITDA	2,540	512	2,028	396.1%
Adjusted EBITDA margin	13.5%	4.9%	-	8.6%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)

For the three months ended December 31,	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	2,201	134	2,067	1542.5%
Depreciation of property, plant, and equipment	339	378	(39)	(10.3%)
Adjusted EBITDA	<u>2,540</u>	<u>512</u>	<u>2,028</u>	<u>396.1%</u>

Revenue

Revenue increased 28.3%, or \$18.6 million, to \$84.3 million in Q4 2017. Of the increase, 17.2% was due to the inclusion of the operating results for Body Plus and Sonoma in Q4 2017 following the acquisition on January 31, 2017. Excluding revenue from acquisitions, revenue increased by 11.1% compared to the prior year including \$1.5 million in the Jamieson Brands segment and \$5.8 million in the Strategic Partners segment.

Revenue in the Jamieson Brands segment increased 18.8%, or \$10.4 million, to \$65.5 million in Q4 2017 due to the impact of \$8.9 million or a 16.1% increase from the acquisition of Body Plus and a year over year increase of 2.7% in our domestic and international brands. Our domestic branded business increased by \$2.3 million driven from greater shipments as a result of higher consumer demand. Revenue from innovations was \$2.2 million in Q4 2017 compared to \$2.4 million in Q4 2016, where the launch of value sizes on our popular letter vitamins generated strong shipments during the last quarter in prior year. Our international branded business decreased by \$0.8 million partially due to unfavorable USD/CAD exchange rates and the timing of sales to Asia partially offsetting increased sales in Europe.

Revenue in the Strategic Partners segment increased 78.7%, or \$8.3 million, to \$18.8 million in Q4 2017. Of the increase, \$2.5 million was attributable to the Sonoma acquisition and \$5.8 million of the increase was attributable to an increase in the legacy Strategic Partners business which was driven by expanded business with existing customers and strong consumer demand for customer branded products.

Gross profit

Gross profit increased by 30.3%, or \$7.2 million, to \$30.9 million in Q4 2017. The increase was primarily due to an increase in revenue from the Jamieson Brands segment combined with an increase in activity in the Strategic Partners segment. Gross profit margin increased 50 basis points to 36.6% in Q4 2017 due to manufacturing efficiencies and the acquisition of higher margin Body Plus and Sonoma operations.

Gross profit in the Jamieson Brands segment increased \$4.6 million to \$27.1 million in Q4 2017. Gross profit pertaining to the operating results for Body Plus in Q4 2017 accounted for \$4.0 million of the increase while the remaining increase was driven by higher volume and gross profit margin improvements. Gross profit margin increased by 70 basis points to 41.4% in Q4 2017 due to raw material purchasing savings and improved plant efficiencies partially offset by higher promotional activities.

Gross profit in the Strategic Partners segment increased \$2.6 million to \$3.8 million in Q4 2017. Gross profit pertaining to the operating results for Sonoma in Q4 2017 accounted for \$0.8 million of the increase while the remaining increase was driven by higher volume and gross profit margin improvements. Gross profit margin increased by 850 basis points to 20.2% in Q4 2017 due to the impact of adding higher margin Sonoma activity, favourable product mix, raw material purchasing savings, and improved plant efficiencies.

Selling, general and administrative expenses

SG&A expenses increased by 29.5%, or \$3.2 million, to \$14.3 million in Q4 2017. In the Jamieson Brands segment, SG&A expenses increased by \$2.7 million in Q4 2017 primarily due to the acquisition of Body Plus adding \$1.9 million in costs, \$0.9 million primarily due to higher variable compensation costs and \$0.5 million of public company costs, offset by a reduction in consulting and marketing fees of \$0.6 million. In the Strategic Partners segment, SG&A expenses increased by \$0.5 million in Q4 2017 primarily due to the acquisition of Sonoma while spending remained consistent in the legacy Strategic Partners business.

Share-based compensation

Share-based compensation increased by 38.8%, or \$0.5 million, to \$1.7 million in Q4 2017. This was mainly due to an increase of \$1.0 million relating to accelerated vesting of certain options granted to our directors, officers and employees under the Legacy Option Plan and \$0.4 million in additional grants of options under the LTIP partially offset by a decrease of \$0.9 million on account of shares in escrow related to the acquisition of the assets of LVHS.

Earnings from operations and operating margin

Earnings from operations increased 30.3%, or \$3.5 million, to \$14.9 million in Q4 2017. Of the increase, 21.7% was due to the inclusion of operating results for Body Plus and Sonoma in Q4 2017 of \$2.1 million and \$0.4 million, respectively. The remaining increase was due to higher volumes in both the legacy Jamieson Brands and Strategic Partners segments, partially offset by higher SG&A expenses and share-based compensation. Operating margin increased 20 basis points to 17.7% in Q4 2017 driven by gross profit margin improvements, partially offset by higher SG&A expenses, higher share-based compensation and an increase in Strategic Partner revenue as a percent of total revenue. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Operating margin increased by 220 basis points to 18.3% in Q4 2017 compared to 16.1% in Q4 2016.

Earnings from operations in the Jamieson Brands segment increased 12.4%, or \$1.4 million, to \$12.7 million in Q4 2017. Earnings from operations was driven by increased earnings as a result of the acquisition of Body Plus, higher volume in the legacy Jamieson Brands segment, offset by higher variable compensation in SG&A expenses and accelerated share-based compensation. Operating margin decreased 110 basis points to 19.4% in Q4 2017 due primarily to higher short-term compensation in SG&A. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Operating margin increased by 130 basis points to 20.2% in Q4 2017 compared to 18.9% in Q4 2016.

Earnings from operations in the Strategic Partners segment increased by \$2.1 million to \$2.2 million in Q4 2017. Earnings from operations was driven by increased earnings as a result of the acquisition of Sonoma and higher volume in the legacy Strategic Partners segment. Operating margin increased to 11.7% in Q4 2017 compared to 1.3% in Q4 2016 due to higher margin Sonoma activity, favourable product mix, raw material purchasing savings, improved plant efficiencies and lower SG&A expenses as a percentage of revenue.

Foreign exchange loss (gain)

Foreign exchange was a loss of \$0.1 million in Q4 2017 compared to a gain of \$0.2 million in Q4 2016. The change was due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash was settled.

Termination benefits and related costs

Termination benefits and related costs increased by \$1.4 million to \$1.6 million in Q4 2017 mainly due to timing of reorganization activities. As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.

Public offering costs

Public offering costs of \$1.2 million in Q4 2017 is related to our Initial Offering (refer to “*Initial Public Offering*”) and our Secondary Offering (refer to “*Secondary Offering*”).

Other expenses

Other expenses of \$3.0 million in Q4 2017 was mainly related to deferred consideration in relation to the acquisition of Body Plus and Sonoma for \$2.5 million, other non-recurring consulting services of \$0.4 million, and other advisory fees of \$0.1 million. Other income of \$2.9 million in Q4 2016 was a result of the Company recording a gain, net of legal costs, related to the settlement of a dispute in connection with the acquisition of JLL from its former owner on January 31, 2014.

Preferred share accretion

Preferred share accretion was \$nil in Q4 2017 compared to \$24.1 million of expense in Q4 2016. The charge in the prior year was tied to the change in the underlying fair value of our Company based on a multiple of Adjusted EBITDA.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$3.5 million to \$2.1 million in Q4 2017. This was primarily due to the discharge of our note payable to Jamieson Finco LP (“Finco”) in Q2 2017 which incurred \$2.0 million interest in the same period in the prior year, lower interest rates on outstanding debt under the new credit facility for \$1.7 million, offset by a slight increase in amortization of deferred financing fees of \$0.2 million. As of December 31, 2017, the weighted average interest rate on the new credit facility was 4.5% compared to our term loan agreement with CPPIB Credit Investments Inc. (“CPPIB”) in the prior year for which as at December 31, 2016, the weighted average interest rate was 8.4%.

Provision for income taxes

Provision for income taxes increased by \$0.7 million to \$3.1 million in Q4 2017 mainly driven by higher income before income taxes and the impact of certain expenses such as share-based compensation, purchase consideration accounted for as compensation expense, and preferred share accretion which are not deductible for tax purposes.

Depreciation

Depreciation expense increased \$0.2 million to \$1.3 million in Q4 2017. The increase was primarily due to \$0.1 million depreciation expense from Body Plus and Sonoma and additions to property, plant and equipment.

Amortization

Amortization expense remained relatively consistent with the same period in the prior year. A minor increase was due to amortization of intangibles pertaining to customer relationships acquired as part of the acquisition of Body Plus and Sonoma which are amortized straight line over 25 years.

EBITDA and Adjusted EBITDA

EBITDA decreased by \$4.2 million to \$11.2 million in Q4 2017 primarily due to the factors discussed above.

Adjusted EBITDA increased by 28.0%, or \$4.1 million, to \$18.8 million in Q4 2017. The increase was due in part to the inclusion of operating results for Body Plus and Sonoma in Q4 2017 of \$2.1 million and \$0.4 million, respectively. The remaining increase is due to higher earnings from operations in both the legacy Jamieson Brands and Strategic Partners segments, net of share-based compensation and SG&A expenses. Adjusted EBITDA margin is consistent to prior year at 22.4% in Q4 2017 as higher fixed costs were offsetting our gross profit margin improvements. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 190 basis points to 22.9% in Q4 2017 compared to 21.0% in Q4 2016.

Adjusted EBITDA in the Jamieson Brands segment increased 14.7%, or \$2.1 million, to \$16.3 million in Q4 2017. The increase was primarily driven by the acquisition of Body Plus. Within the legacy Jamieson Brands segment, higher volume was offset by higher SG&A. Adjusted EBITDA margin decreased 90 basis points to 24.9% in Q4 2017 due to higher short-term compensation and public company costs within SG&A expenses. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 150 basis points to 25.6% in Q4 2017 compared to 24.1% in Q4 2016.

Adjusted EBITDA in the Strategic Partners segment increased \$2.0 million, to \$2.5 million in Q4 2017. The increase is driven by the acquisition of Sonoma and higher volume in the legacy Strategic Partners segment, partially offset by higher SG&A expenses. Adjusted EBITDA margin increased 860 basis points to 13.5% in Q4 2017 due to higher margin Sonoma activity, favourable product mix, raw material purchasing savings, improved plant efficiencies and lower SG&A expenses as a percentage of revenue.

Results of Operations — twelve months ended December 31, 2017 and 2016

The following table provides a summary of our results for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended		\$ Change	% Change
	December 31			
	2017	2016		
Revenue	300,619	248,331	52,288	21.1%
Cost of sales	195,770	167,519	28,251	16.9%
Gross profit	104,849	80,812	24,037	29.7%
Selling, general and administrative expenses	53,589	44,837	8,752	19.5%
Share-based compensation	6,325	4,934	1,391	28.2%
Earnings from operations	44,935	31,041	13,894	44.8%
Operating margin	14.9%	12.5%	-	2.4%
Foreign exchange loss (gain)	331	(192)	523	272.4%
Termination benefits and related costs	4,132	1,420	2,712	191.0%
Public offering costs	10,720	-	10,720	-
Acquisition costs	2,444	789	1,655	209.8%
Other expenses (income)	9,410	(2,876)	12,286	-
Preferred share accretion	28,796	30,434	(1,638)	(5.4%)
Interest expense and other financing costs	4,733	22,926	(18,193)	(79.4%)
Income (loss) before income taxes	(15,631)	(21,460)	5,829	27.2%
Provision for income taxes	8,156	3,706	4,450	120.1%
Net income (loss)	(23,787)	(25,166)	1,379	5.5%
Adjusted net income	27,582	10,910	16,672	152.8%
EBITDA	26,400	39,446	(13,046)	(33.1%)
Adjusted EBITDA	61,477	46,794	14,683	31.4%

The following table provides a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended		\$ Change	% Change
	December 31			
	2017	2016		
Net income (loss)	(23,787)	(25,166)	1,379	5.5%
<i>Add:</i>				
Provision for income taxes	8,156	3,706	4,450	120.1%
Interest expense and other financing costs	4,733	22,926	(18,193)	(79.4%)
Preferred share accretion	28,796	30,434	(1,638)	(5.4%)
Depreciation of property, plant, and equipment	5,106	4,316	790	18.3%
Amortization of intangible assets	3,396	3,230	166	5.1%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	26,400	39,446	(13,046)	(33.1%)
<i>Add EBITDA adjustments:</i>				
Share-based compensation ⁽¹⁾	6,325	4,934	1,391	28.2%
Amortization of fair value adjustments ⁽²⁾	1,694	-	1,694	-
Foreign exchange loss (gain)	331	(192)	523	272.4%
Termination benefits and related costs ⁽³⁾	4,132	1,420	2,712	191.0%
Acquisition costs	2,444	789	1,655	209.8%
Purchase consideration accounted for as compensation expense ⁽⁴⁾	8,427	-	8,427	-
Public offering costs ⁽⁵⁾	10,720	-	10,720	-
Other ⁽⁶⁾	1,004	397	607	152.9%
Adjusted EBITDA	61,477	46,794	14,683	31.4%

- (1) As per our Legacy Option Plan for directors, officers and employees and certain option exchange agreements: (i) options issued under the Legacy Option Plan became exercisable for common shares (rather than Class A common shares) and (ii) adjustments were made to reflect the share split. Following the closing of the Initial Offering, no further awards may be made under the Legacy Option Plan. In addition, 1,067,891.57 Class B preferred shares, on a post share split basis, were placed into escrow for issuance to the former owner as part of the LVHS acquisition. Pertaining to the accelerated vesting of certain options under the Legacy Option Plan in connection with the Initial Offering and Secondary Offering, expenses of \$1.7 million and \$1.0 million were incurred respectively.
- (2) In conjunction with the acquisition of Body Plus and Sonoma on January 31, 2017, the fair value adjustment of inventory as part of the initial purchase price allocation was amortized over the 6 month period post acquisition.
- (3) As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.
- (4) In connection with the acquisition of Body Plus and Sonoma, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A portion of the deferred consideration of \$9.4 million was due to be paid on the one year anniversary of the acquisition with the remaining balance payable by July 2018.
- (5) Costs related to our Initial Offering (refer to "Initial Public Offering") and our Secondary Offering (refer to "Secondary Offering").

- (6) In 2017, costs were mainly related to investments in process improvement projects and other one-time studies commissioned for the acquired Sonoma operations and cost incurred pertaining to our labour agreement. In 2016, costs were mainly related to indemnity settlements relating to the acquisition of JLL on January 31, 2014, process improvement projects and one-time studies commissioned to understand specific markets for international expansion.

The following table provides a reconciliation of net income (loss) to Adjusted Net Income for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended		\$ Change	% Change
	December 31			
	2017	2016		
Net income (loss)	(23,787)	(25,166)	1,379	5.5%
<i>Adjustments to net income (loss):</i>				
Share-based compensation ⁽¹⁾	4,171	3,651	520	14.2%
Amortization of fair value adjustments	1,694	-	1,694	-
Amortization of deferred financing fee ⁽²⁾	3,078	-	3,078	-
Foreign exchange loss (gain)	331	(192)	523	272.4%
Termination benefits and related costs	4,132	1,420	2,712	191.0%
Acquisition costs	2,444	789	1,655	209.8%
Purchase consideration accounted for as compensation expense	8,427	-	8,427	-
Public offering costs	10,720	-	10,720	-
Net interest forgiveness	(11,001)	-	(11,001)	-
Preferred share accretion	28,796	30,434	(1,638)	(5.4%)
Other	1,004	397	607	152.9%
Related tax effects	(2,427)	(423)	(2,004)	(473.8%)
Adjusted net income	27,582	10,910	16,672	152.8%

- (1) This adjustment is in relation to JLL's acquisition of LVHS on June 12, 2014, whereby as part of the transaction, 1,067,891.57 Class B preferred shares, on a post share split basis, were placed into escrow for issuance to the former owner. Included in 2017 is a \$1.7 million and a \$1.0 million adjustment pertaining to the accelerated vesting of management share option plan as a result of the Initial Offering and Secondary Offering respectively.
- (2) Write-off of remaining deferred financing fees associated with the extinguishment of our revolving credit facility with Wells Fargo Capital Finance Corporation ("Wells Fargo") and our term loan with CPPIB on January 31, 2017.

The following table provides revenue, gross profit, gross profit margin, earnings from operations, operating margin, Adjusted EBITDA and Adjusted EBITDA margin for our two operating segments for the twelve months ended December 31, 2017 and December 31, 2016.

Jamieson Brands

(\$ in 000's)

For the year ended December 31,	2017	2016	\$ Change	% Change
Revenue	237,001	192,496	44,505	23.1%
Gross profit	91,559	74,072	17,487	23.6%
Gross profit margin	38.6%	38.5%	-	0.1%
Earnings from operations	37,595	28,844	8,751	30.3%
Operating margin	15.9%	15.0%	-	0.9%
Adjusted EBITDA	52,834	43,165	9,669	22.4%
Adjusted EBITDA margin	22.3%	22.4%	-	(0.1%)

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)

For the year ended December 31,	2017	2016	\$ Change	% Change
Earnings from operations	37,595	28,844	8,751	30.3%
Depreciation of property, plant, and equipment	3,803	2,884	919	31.9%
Amortization of intangible assets	3,396	3,230	166	5.1%
Share-based compensation	6,325	4,934	1,391	28.2%
Amortization of fair value adjustments	1,694	-	1,694	-
Other	21	3,273	(3,252)	(99.4%)
Adjusted EBITDA	52,834	43,165	9,669	22.4%

Strategic Partners and Eliminations

(\$ in 000's)

For the year ended December 31,	2017	2016	\$ Change	% Change
Revenue	63,618	55,835	7,783	13.9%
Gross profit	13,290	6,740	6,550	97.2%
Gross profit margin	20.9%	12.1%	-	8.8%
Earnings from operations	7,340	2,197	5,143	234.1%
Operating margin	11.5%	3.9%	-	7.6%
Adjusted EBITDA	8,643	3,629	5,014	138.2%
Adjusted EBITDA margin	13.6%	6.5%	-	7.1%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)

For the year ended December 31,	2017	2016	\$ Change	% Change
Earnings from operations	7,340	2,197	5,143	234.1%
Depreciation of property, plant, and equipment	1,303	1,432	(129)	(9.0%)
Adjusted EBITDA	8,643	3,629	5,014	138.2%

Revenue

Revenue increased 21.1%, or \$52.3 million, to \$300.6 million in 2017. Of the increase, 17.8% was due to the inclusion of eleven months of operating results for Body Plus and Sonoma. Excluding revenue from acquisitions, revenue increased by 3.3% compared to the prior year including \$9.5 million in the Jamieson Brands segment offset by a \$1.5 million decrease in the Strategic Partners segment, of which \$14.3 million relates to the switch from a turnkey to tolling arrangement for a major customer. After adjusting for the switch to tolling, consolidated revenue grew by 9.5% on an organic basis.

Revenue in the Jamieson Brands segment increased 23.1%, or \$44.5 million, to \$237.0 million in 2017 due to the impact of \$35.0 million or an 18.2% increase from the acquisition of Body Plus and a year over year increase of 4.9% in our domestic and international brands. Our domestic branded business increased by \$10.5 million driven from the success of our Essentials marketing campaign and media promotions, offsetting significant prior year growth from the relaunch of our multivitamins. Included in our domestic branded business is a decrease in sales from innovation of \$1.0 million. Revenue from innovations was \$6.0 million in 2017 compared to \$7.0 million in 2016, which was related to the type, timing and the usage cycle associated with the products released in the respective year. Within our Jamieson legacy brands, we have launched 38 products in 2017 compared to 30 products in 2016. Our international branded business decreased by \$1.0 million partially due to unfavorable USD/CAD exchange rate impact of \$0.5 million with remaining decrease due to timing of sales to Asia offsetting increased sales in Europe and the Middle East.

Revenue in the Strategic Partners segment increased 13.9%, or \$7.8 million, to \$63.6 million in 2017. In fiscal 2016, a major customer changed a significant number of its products from a turnkey to a tolling arrangement. On a consistent tolling basis, revenue in the Strategic Partners segment increased by \$22.1 million to \$63.6 million in 2017 from \$41.5 million in 2016. Of the increase, \$9.3 million was attributable to the Sonoma acquisition while \$12.8 million was due to our success in securing additional volume from existing customers and strong consumer demand for customer branded products.

Gross profit

Gross profit increased by 29.7%, or \$24.0 million, to \$104.8 million in 2017. The increase was primarily due to an increase in revenue from the Jamieson Brands segment combined with an increase in activity within the Strategic Partners segment. Gross profit margin increased by 230 basis points to 34.9% in 2017 leveraging on increased Body Plus and Sonoma volumes combined with the impact of our change from a turnkey to tolling with a major customer.

Gross profit in the Jamieson Brands segment increased \$17.5 million, to \$91.6 million in 2017. Gross profit pertaining to the eleven months of operating results for Body Plus in 2017 accounted for \$12.2 million of the increase while the remaining increase was driven by higher volume with a constant gross profit margin. Gross profit margin remained relatively consistent to prior year at 38.6% in 2017 due to lower Body Plus margin impacted by \$1.7 million of amortization of fair value adjustment of inventory included within cost of sales offset by raw material purchasing savings and improved plant efficiencies.

Gross profit in the Strategic Partners segment increased \$6.6 million, to \$13.3 million in 2017. Gross profit pertaining to the eleven months of operating results for Sonoma in 2017 accounted for \$3.9 million of the increase while the remaining increase was driven by higher volume and gross profit margin improvements. Gross profit margin increased to 20.9% in 2017 due to the change to a tolling arrangement, the impact of adding higher margin Sonoma activity, favourable product mix, raw material purchasing savings, and improved plant efficiencies.

Selling, general and administrative expenses

SG&A expenses increased by 19.5%, or \$8.8 million, to \$53.6 million in 2017. In the Jamieson Brands segment, SG&A expenses increased by \$7.3 million in 2017 primarily due to the acquisition of Body Plus adding \$6.7 million in costs, \$3.9 million primarily due to higher variable compensation costs, \$0.9 million of public company costs, offset by a decrease in non-recurring consulting services of \$1.5 million and marketing expenses of \$2.7 million.

In the Strategic Partners segment, SG&A expenses increased by \$1.4 million in 2017 primarily due to the acquisition of Sonoma for \$1.5 million while spending decreased slightly at \$0.1 million in the legacy Strategic Partners business.

Share-based compensation

Share-based compensation increased 28.2%, or \$1.4 million, to \$6.3 million in 2017. This was mainly due to \$2.7 million in accelerated vesting of certain options granted to our directors, officers and employees under the Legacy Option Plan and \$0.9 million in additional grants of options under the LTIP partially offset by a decrease of \$2.2 million on account of shares in escrow related to the acquisition of the assets of LVHS.

Earnings from operations and operating margin

Earnings from operations increased 44.8%, or \$13.9 million, to \$44.9 million in 2017. Of the increase, 25.5% was due to the inclusion of eleven months of operating results for Body Plus and Sonoma in 2017 of \$5.5 million and \$2.4 million, respectively. The remaining increase was due to higher volumes in both the legacy Jamieson Brands and Strategic Partners segments, partially offset by higher SG&A expenses and share-based compensation. Operating margin increased 240 basis points to 14.9% in 2017 mainly driven by gross profit margin improvements. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Operating margin increased by 430 basis points to 15.2% in 2017 compared to 10.9% in 2016.

Earnings from operations in the Jamieson Brands segment increased 30.3%, or \$8.8 million, to \$37.6 million in 2017. Earnings from operations was driven by the acquisition of Body Plus, higher volume in the legacy Jamieson Brands segment, partially offset by higher SG&A expenses and the acceleration of share-based compensation. Operating margin increased to 15.9% in 2017 from 15.0% in 2016 mainly due to a decrease in SG&A expenses as a percentage of revenue. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Operating margin increased by 320 basis points to 16.2% in 2017 compared to 13.0% in 2016.

Earnings from operations in the Strategic Partners segment increased \$5.1 million to \$7.3 million in 2017. Earnings from operations was driven by the acquisition of Sonoma, higher volume in the legacy Strategic Partners segment net of tolling impact, favourable product mix, raw material purchasing savings and improved plant utilization. Operating margin increased to 11.5% in 2017 compared to 3.9% in 2016 due to the change to a tolling arrangement, favourable product mix, raw material purchasing savings, and improved plant efficiencies offset by higher fixed costs as a percentage of revenue.

Foreign exchange loss (gain)

Foreign exchange was a loss of \$0.3 million in 2017 compared to a gain of \$0.2 million in 2016. The change was due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash was settled.

Termination benefits and related costs

Termination benefits and related costs increased by \$2.7 million to \$4.1 million in 2017. As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.

Public offering costs

Public offering costs of \$10.7 million in 2017 is related to our Initial Offering (refer to “*Initial Public Offering*”) and our Secondary Offering (refer to “*Secondary Offering*”).

Acquisition costs

Acquisition costs of \$2.4 million in 2017 were related to acquisition of Body Plus and Sonoma.

Other expenses

Other expense of \$9.4 million in 2017 is mainly related to deferred consideration in relation to the acquisition of Body Plus and Sonoma for \$8.4 million, other non-recurring consulting services of \$0.7 million, costs relating to our labour agreement for \$0.2 million and other advisory fees of \$0.1 million.

Preferred share accretion

Preferred share accretion decreased by \$1.6 million to \$28.8 million in 2017. The decrease is tied to the change in the underlying fair value of our Company based on a multiple of Adjusted EBITDA up to the date of our Initial Offering. The preferred share obligation was eliminated in conjunction with the Reorganization (refer to “*Initial Public Offering*” section above), as all of the preferred shares have been converted into common shares in connection with the Initial Offering.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$18.2 million to \$4.7 million in 2017. This was primarily due to interest forgiveness on our note payable to Finco for \$13.0 million, lower interest of \$4.1 million, lower interest rates on outstanding debt under the new credit facility for \$4.6 million, offset by higher amortization of deferred financing fees of \$3.5 million driven by the write-off of the remaining balance when we extinguished both the revolving credit facility with Wells Fargo and our term loan with CPPIB. Our note payable to Finco was discharged in Q2 2017 as part of the Company’s Reorganization prior to the Initial Offering. As at December 31, 2017, the weighted average interest rate on the new credit facility was 4.5%.

Provision for income taxes

Provision for income taxes increased by \$4.5 million to \$8.2 million in 2017 mainly driven by higher income before income taxes and the impact of certain expenses such as share-based compensation, purchase consideration accounted for as compensation expense, and preferred share accretion which are not deductible for tax purposes.

Depreciation

Depreciation expense increased by 18.3%, or \$0.8 million, to \$5.1 million in 2017. The increase was primarily due to \$0.2 million depreciation expense from Body Plus and Sonoma and additions to property, plant and equipment which were more heavily weighted towards the latter half of the year in 2016.

Amortization

Amortization expense increased by 5.1%, or \$0.2 million, to \$3.4 million in 2017. The increase was due to eleven months of amortization of intangibles pertaining to \$4.7 million in customer relationships acquired as part of the acquisition of Body Plus and Sonoma which are amortized straight line over 25 years.

EBITDA and Adjusted EBITDA

EBITDA decreased by \$13.0 million to \$26.4 million in 2017 primarily due to the factors discussed above.

Adjusted EBITDA increased by 31.4%, or \$14.7 million, to \$61.5 million in 2017. The increase was due in part to the inclusion of operating results for Body Plus and Sonoma in 2017 of \$7.4 million and \$2.6 million, respectively. The remaining increase is due to higher earnings from operations in the legacy Jamieson Brands and legacy Strategic Partners segments. Adjusted EBITDA margin increased 160 basis points to 20.5% in 2017 primarily driven by gross profit margin improvements and lower fixed costs as a percentage of revenue. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 340 basis points to 20.7% in 2017 compared to 17.3% in 2016.

Adjusted EBITDA in the Jamieson Brands segment increased 22.4%, or \$9.7 million, to \$52.8 million in 2017. The increase was driven by the acquisition of Body Plus, higher volume in the legacy Jamieson Brands segment, partially offset by higher SG&A expenses. Adjusted EBITDA margin remained relatively consistent at 22.3% in 2017 mainly due to a decrease in SG&A expenses as a percentage of revenue offset by a decrease in EBITDA adjustments as a percentage of revenue. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 230 basis points to 22.7% in 2017 compared to 20.4% in 2016.

Adjusted EBITDA in the Strategic Partners segment increased \$5.0 million to \$8.6 million in 2017. The increase is driven by the acquisition of Sonoma, higher volume in the legacy Strategic Partners segment net of tolling impact, and Adjusted EBITDA margin improvements. Adjusted EBITDA margin increased 710 basis points to 13.6% in 2017 due to the change to a tolling arrangement, higher margin Sonoma activity, favourable product mix, raw material purchasing savings and improved plant efficiencies.

Summary of Consolidated Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters prepared in accordance with IFRS. Due to the factors below, the results of operations for any quarter are not necessarily indicative of the result of operations for the fiscal year.

	2017				
	Q4	Q3	Q2	Q1	Total
<i>(\$ in 000's, except share and per share amounts)</i>					
Revenue by segment					
Branded Business	65,545	61,889	56,647	52,920	237,001
Strategic Partners	18,773	18,256	14,608	11,981	63,618
Total revenue	84,318	80,145	71,255	64,901	300,619
Earnings from operations	14,933	11,281	10,699	8,022	44,935
Net income (loss)	3,733	1,089	(6,958)	(21,651)	(23,787)
Adjusted net income	9,749	7,793	7,870	2,170	27,582
EBITDA	11,194	8,346	3,255	3,605	26,400
Adjusted EBITDA	18,848	16,134	15,071	11,424	61,477
Basic, earnings (loss) per share	0.10	(0.24)	(13.37)	(41.62)	(1.79)
Diluted, earnings (loss) per share	0.09	(0.24)	(13.37)	(41.62)	(1.79)
Adjusted Diluted, earnings (loss) per share	0.25	0.20	0.20	0.05	0.70
	2016				
	Q4	Q3	Q2	Q1	Total
<i>(\$ in 000's, except share and per share amounts)</i>					
Revenue by segment					
Branded Business	55,188	45,882	47,024	44,402	192,496
Strategic Partners	10,507	9,381	19,992	15,955	55,835
Total revenue	65,695	55,263	67,016	60,357	248,331
Earnings from operations	11,464	7,370	8,244	3,963	31,041
Net income (loss)	(18,722)	8,313	1,823	(16,580)	(25,166)
Adjusted net income	5,101	2,512	2,944	353	10,910
EBITDA	15,409	8,988	9,769	5,280	39,446
Adjusted EBITDA	14,727	11,292	12,060	8,715	46,794
Basic, earnings (loss) per share	(35.99)	15.98	3.50	(31.87)	(48.37)
Diluted, earnings (loss) per share	(35.99)	0.04	0.07	(31.87)	(48.37)
Adjusted Diluted, earnings (loss) per share	0.13	0.06	0.07	0.01	0.28

Revenue

Jamieson Brands revenue for the last eight quarters were impacted by factors including the following:

- the impact of innovation, both in adjacent categories and within our core VMS portfolio;
- shipment fluctuations in our international markets;
- the volume and timing of promotion and media;
- the volume of inventory and timing of shipments to distributors and retailers;
- seasonality; and
- foreign currency fluctuations

Strategic Partners revenue for the last eight quarters were impacted by factors including the following:

- available capacity when considering demand for Branded Products, resulting in less Strategic Partners revenue;
- innovation and geographic demand for high quality certified manufacturers;
- the impact of a change from a turnkey arrangement to tolling for certain products;
- periodic price increases to recapture cost escalation; and
- foreign currency fluctuations

Earnings from operations

Earnings from operations for the last eight quarters were impacted by factors including the following:

- revenue factors impacting price and volume noted above;
- return on incremental promotion and media spend;
- improvements in production efficiencies and higher economies of scale;
- raw material costs in native currency; and
- foreign currency fluctuations

Selected Annual Information

The following selected annual information is shown for the three most recently completed financial years:

	For the year ended		
	December 31		
	2017	2016	2015
<i>(\$ in 000's, except share and per share amounts)</i>			
Revenue	300,619	248,331	230,865
Earnings from operations	44,935	31,041	25,527
Net income (loss)	(23,787)	(25,166)	(95,382)
Adjusted net income	27,582	10,910	8,655
EBITDA	26,400	39,446	31,109
Adjusted EBITDA	61,477	46,794	44,523
Basic, earnings (loss) per share	(1.79)	(48.37)	(183.34)
Diluted, earnings (loss) per share	(1.79)	(48.37)	(183.34)
Adjusted Diluted, earnings (loss) per share	0.70	0.28	0.22
Selected Consolidated Financial Position Data:			
Total assets	512,555	405,179	403,867
Total non-current liabilities	210,012	305,023	296,589

Over the three year period, revenue increased year over year driven by growth in the Jamieson Brands segment through innovations and international expansion, growth in the Strategic Partners segment through increased business with existing and new customers, and additional revenue through acquisitions (refer to the “Acquisitions” section below). Total assets have increased over the three year period reflecting acquisitions and strategic investments in property, plant, and equipment designed to improve efficiency or expand capacity.

Dividends declared for the year ended December 31, 2017:

Cash dividends per common share: 0.16

Cash dividends per each former class of preferred share:

Class A	0.419	Class G	0.921	Class M	0.853	Class S	0.371
Class B	1.022	Class H	0.920	Class N	0.754	Class T	0.243
Class C	0.929	Class I	0.916	Class O	0.749	Class U	0.254
Class D	0.928	Class J	0.912	Class P	0.746	Class V	0.229
Class E	0.923	Class K	-	Class Q	0.740	Class W	0.001
Class F	0.922	Class L	0.905	Class R	-		

In 2017, immediately prior to the closing of the Initial Offering (refer to the “*Initial Public Offering*” section above) the Company declared accrued and unpaid dividends (at 4.5% compounded quarterly) on the then outstanding Class A to V and Class W preferred shares in an aggregate amount of \$9.6 million. The Company also declared cash dividend for the second and third quarter of 2017 for \$0.08 per common share and \$0.08 per common share, respectively. No dividends were paid in 2016 and 2015.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under the Credit Facilities (refer to “*Credit Facilities*” section below) and net proceeds raised through the Initial Offering (refer to the “*Initial Public Offering*” section above) will be sufficient to meet our future operating expenses, capital expenditures, and future debt service costs. Our Company incurred operating losses in Q1 and Q2 of 2017 due to the preferred share accretion and had a working capital deficiency resulting from classification as a liability of the redeemable preferred share obligation issued to CCMP. The preferred share obligation and the associated working capital deficiency have been eliminated in conjunction with the Reorganization (refer to “*Initial Public Offering*” section above), as all of the preferred shares have been converted into common shares in connection with the Initial Offering.

While operations continue to provide cash, our primary use of cash was for the acquisition of Body Plus and Sonoma. Our total acquisition of businesses was \$82.5 million and we incurred capital expenditures of \$4.7 million in 2017. In 2016, our total capital expenditures were \$4.7 million, and there were no expenditures for the acquisition of businesses.

Our primary liquidity and capital requirements are for capital expenditures, working capital and general corporate needs. We have cash and availability under the Revolving Credit Facility (refer to “*Credit Facilities*” section below) that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through working capital and capital expenditures), repay short-term obligations and for general corporate purposes. We believe that cash from operations, together with our cash balance and the Revolving Credit Facility will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs.

Our ability to fund future debt service costs, operating expenses, and capital expenditures will depend on our future operating performance which will be affected by general economic, financial and other factors including factors beyond our control (refer to “*Risk Factors*”). From time to time, our management reviews acquisition opportunities and if suitable opportunities arise, may make selected acquisitions to implement our business strategy. Historically, the funding for any such acquisitions has come from cash flow from operating activities and additional debt.

Credit Facilities

Total outstanding debt as at December 31, 2016 was comprised of a term loan agreement with CPPIB with \$155.9 million in drawings and an unused \$45.0 million revolving credit facility with Wells Fargo. Both the revolving credit facility with Wells Fargo and the term loan with CPPIB were extinguished on January 31, 2017.

On January 31, 2017, JLL entered into a credit agreement (the “Credit Agreement”) with a syndicate of lenders. The Credit Agreement is comprised of a revolving credit facility (the “Revolving Credit Facility”) in the amount of \$75.0 million (including a \$10.0 million swingline facility) and a \$195.0 million term loan facility (the “Term Loan Facility” and together with the Revolving Credit Facility, the “Credit Facilities”), each maturing on January 31, 2021. The Credit Agreement provides an additional \$60.0 million in availability upon the exercising of an accordion feature. The Term Loan Facility was advanced to finance JLL’s acquisition of Body Plus and Sonoma and to pay related fees, costs and expenses and to refinance existing indebtedness of JLL. As at December 31, 2017, the aggregate amount outstanding under the Credit Facilities was approximately \$167.7 million (\$30.0 million under the Revolving Credit Facility and \$137.7 million under the Term Loan Facility) and the weighted average interest rate on this facility was 4.5%.

For the three and twelve month periods ended December 31, 2017, JLL made drawings of \$nil and \$195.0 million, respectively, and debt repayments of \$2.4 million and \$57.3 million, respectively, applied against the term credit facility. For the three and twelve month periods ended December 31, 2017, JLL made drawings of \$nil and \$46.0 million, respectively, and debt repayments of \$6.2 million and \$16.0 million, respectively, applied against the revolving credit facility.

The Credit Facilities contain restrictive covenants customary for credit facilities of this nature, including the maintenance of a minimum interest coverage ratio and a maximum leverage ratio. Quarterly repayment on the Credit Facilities is 1.25% through to December 31, 2018 and 1.875% through to December 31, 2020 thereafter with all amounts outstanding due on maturity date.

Analysis of Cash Flows — three months ended December 31, 2017 and 2016

(\$ in 000's)	Three months ended December 31		\$ Change	% Change
	2017	2016		
Cash, beginning of period	1,196	9,822	(8,626)	(87.8%)
Cash flows from (used in):				
Operating activities	17,552	12,643	4,909	38.8%
Investing activities	(2,414)	(1,358)	(1,056)	(77.8%)
Financing activities	(11,501)	(5,226)	(6,275)	(120.1%)
Cash, end of period	4,833	15,881	(11,048)	(69.6%)

Cash Flows Generated from Operating Activities

In Q4 2017, cash flows generated from operating activities totalled \$17.6 million, compared to cash flows generated of \$12.6 million for the same period in the prior year. The increase is due to cash generated in operating activities before working capital considerations of \$0.8 million and an increase in cash generated in working capital of \$4.1 million. The increase of cash generated from working capital is primarily driven from the drawdown of inventory from shipments for cough and cold season and a reduction of accounts receivable due to timing of collection from major customers.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q4 2017 totalled \$2.4 million compared to cash flows used of \$1.4 million for the same period in the prior year. This is mainly due to expenditures for property, plant, and equipment which fluctuate based on scheduled preventative maintenance as well as the timing and availability of strategic investment opportunities designed to improve efficiency and/or expand capacity.

Cash Flows Used in Financing Activities

Cash flows used in financing activities in Q4 2017 totalled \$11.5 million compared to cash flows used of \$5.2 million for the same period in the prior year. In Q4 2017, we made debt repayments (net of drawings) of \$6.2 million and \$2.4 million from our Revolving Credit Facility and Term Loan Facility respectively, along with issuance

of \$3.0 million of dividends to common shareholders offset by cash generated from the exercise of stock option for \$0.1 million. In Q4 2016, cash flows used in financing activities was primarily due to settlement of the shareholder note related to the acquisition of JLL on January 31, 2014.

Analysis of Cash Flows — twelve months ended December 31, 2017 and 2016

(\$ in 000's)	For the year ended		\$ Change	% Change
	December 31			
	2017	2016		
Cash, beginning of period	15,881	2,325	13,556	583.1%
Cash flows from (used in):				
Operating activities	17,845	29,009	(11,164)	(38.5%)
Investing activities	(87,486)	(4,710)	(82,776)	(1757.5%)
Financing activities	58,593	(10,743)	69,336	645.4%
Cash, end of period	4,833	15,881	(11,048)	(69.6%)

Cash Flows Generated from Operating Activities

For 2017, cash flows generated from operating activities totalled \$17.8 million, compared to \$29.0 million for 2016. The decrease is due to cash used in working capital of \$11.4 million partially offset by cash generated from operating activities before working capital considerations of \$0.2 million. The decrease in cash generated from working capital includes the impact of higher accounts receivable due to timing of collection from major customers and planned inventory build in preparation for expanded promotions and safety stock for top-selling SKUs to improve efficiencies and mitigate risk of out-of-stocks.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in 2017 totalled \$87.5 million compared to \$4.7 million in the prior year. This is mainly due to the acquisition of Body Plus and Sonoma for \$82.5 million. The remaining balance relates to expenditures for property, plant, and equipment which fluctuates based on scheduled preventative maintenance as well as the timing and availability of strategic investment opportunities designed to improve efficiency and/or expand capacity.

Cash Flows Generated from (Used in) Financing Activities

For 2017, cash flows generated from financing activities totalled \$58.6 million, compared to cash used in financing activities of \$10.7 million in 2016. In 2017, the Initial Offering generated net proceeds net of transaction costs to the Company of \$230.2 million, we made drawings of \$241.0 million from our Credit Facilities, and we received \$1.3 million from the issuance of redeemable preferred shares and \$0.1 million from the exercise of stock option. This was offset by total debt repayment of \$229.2 million, a return of capital on the then outstanding Class A to V preferred shares of \$65.1 million, a repayment of our note payable to Finco of \$94.6 million, Finco Tax Payable of \$3.7 million, financing costs of \$5.8 million, dividends on the then outstanding Class A to V and Class W preferred shares of \$9.6 million and \$6.0 million of dividends to common shareholders. In the same period in the prior year, our Company repaid long term debt of \$5.7 million and made payments of 5.0 million to a former shareholder.

Acquisitions

On January 31, 2017, JLL acquired 100% of the outstanding shares of Body Plus and Sonoma, and Body Plus and Sonoma became wholly owned subsidiaries of JLL.

Consideration for the acquisition totalled \$82.5 million (net of cash acquired), plus acquisition costs of \$3.2 million which were recognized in the consolidated statements of operations and comprehensive income (loss) of the Company for the year ended December 31, 2017, except for approximately \$0.8 million of the acquisition costs which the Company recognized during the year ended December 31, 2016. The purchase price was funded with cash. An additional \$1.9 million was set aside to be paid as a retention bonus to key employees of Body Plus and Sonoma,

subject to these individuals remaining employed for 12 and/or 18 months following the closing of the acquisition. Further, pursuant to the purchase agreement, the former owner is entitled to a \$7.5 million payment (the “Holdback Amount”) from JLL subject to a consulting agreement entered into between JLL and the former owner, if the consulting relationship continues for 12 months following the closing of the acquisition. On January 31, 2018 the Company paid the former owner \$5.5 million (representing a \$2.0 million reduction) in exchange for the Company releasing the former owner from certain of the Company’s post-closing indemnification rights under the purchase agreement. In accordance with IFRS 3 “Business Combination”, the deferred compensation of \$9.4 million comprised of the Holdback Amount and the retention bonus have been accounted for as deferred compensation.

During the year ended December 31, 2017 the Company has recognized \$8.4 million of deferred compensation in the other expense line on the consolidated statements of operations and comprehensive income (loss).

Body Plus markets, develops and distributes premium quality sports nutrition products under the Progressive, Precision and Iron Vegan brands. Sonoma manufactures, develops and distributes sports nutrition products, supplements and also provides contract manufacturing services. In addition to expanding into a growing adjacent category within the consumer health industry, these acquisitions increased our presence in the health food store and other specialty retail channels, while expanding our R&D and manufacturing capabilities.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at December 31, 2017

<i>(\$ in 000's)</i>	2018	2019-2022	Thereafter	Total
Operating leases	\$ 1,766	\$ 1,726	\$ -	\$ 3,492
Trade and other payable	66,621	-	-	66,621
Revolving credit facility ⁽¹⁾	-	30,000	-	30,000
Term credit facility ⁽¹⁾	9,750	127,938	-	137,688
Total contractual obligations	\$ 78,137	\$ 159,664	\$ -	\$ 237,801

- (1) On January 31, 2017, JLL entered into a Credit Agreement with a syndicate of lenders which is comprised of a revolving credit facility and a term loan facility each maturing on January 31, 2021.

Operating lease commitments

We have entered into a number of operating leases for vehicles, production equipment, computer and communications equipment, office equipment and office space. Total minimum lease payments payable in future years is \$3.5 million.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Related Party Transactions

Balances and transactions between us and our subsidiaries, have been eliminated on consolidation.

Due to Jamieson Finco LP

On January 30, 2014, Finco subscribed for 3,121,516 common shares, on a post share split basis, in the capital of our Company for proceeds of \$83.5 million. On February 1, 2014, our Company repurchased the common shares it issued to Finco on January 30, 2014 in exchange for a note in the amount of \$83.5 million. The proceeds of the subscription were used by our Company to fund a portion of its acquisition of JLL. The term of the note was seven years and bore an interest rate of 9.75%.

On June 28, 2017, Finco forgave \$13.0 million of accrued interest reducing the principal and accrued interest in respect of the note to \$98.3 million (\$83.5 million principal and \$14.8 million accrued interest). Through a series of transactions, the principal and accrued interest was settled on a net basis in exchange for 94,592,252.49 Class W preferred shares of the Company and we agreed to remit \$3.7 million of tax payable on behalf of Finco (the “Finco Tax Payable”).

The balance of the note as at December 31, 2017 was \$nil (2016 - \$107.3 million) including accrued interest of \$nil (2016 - \$23.8 million).

Share-based compensation

The Company offers share option plans for senior employees and directors as well as an Employee Share Purchase Plan for eligible employees of the Company and its subsidiaries for the purchase of common shares of the Company. Please refer to Note 17 in the accompanying notes of our Company’s audited consolidated annual financial statements for the year ended December 31, 2017 for details of these plans.

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars such as a portion of trade accounts payable, trade accounts receivable and cash and cash equivalents. These agreements mature at various dates in fiscal 2017 and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income (loss).

Outstanding Share Capital and Redeemable Preferred Shares

The following tables reflect the impact of the share split as it was retrospectively applied to all periods presented.

	Common Shares			
	#	\$		
As at December 31, 2016	520,253	400		
Issued during the period (net)	15,554,755	233,534		
Exercise of options	261,233	174		
Exchange of Class A to V preferred shares	21,403,880	800		
As at December 31, 2017	37,740,121	234,908		

	Class A-V Preferred Shares		Class W Preferred Shares	
	#	\$	#	\$
As at December 31, 2016	21,314,440	197,901	-	-
Issued during the period	96,636	1,391	94,592,252	94,592
Accelerated vesting of preferred shares	-	11,527	-	-
Repurchased during the period	(7,196)	(50)	-	-
Redeemed during the period	(21,403,880)	(239,565)	(94,592,252)	(94,592)
Preferred share accretion during the period	-	28,796	-	-
As at December 31, 2017	-	-	-	-

	Common Shares		Preferred Shares	
	#	\$	#	\$
As at December 31, 2015	520,253	400	21,321,052	167,467
Issued during the year	-	-	7,780	100
Repurchased during the year	-	-	(14,392)	(100)
Preferred share accretion during the period	-	-	-	30,434
As at December 31, 2016	520,253	400	21,314,440	197,901

As at December 31, 2017, the authorized share capital consisted of:

- a) Unlimited number of common shares with no par value. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.
- b) Unlimited number of preferred shares, issuable in series.

As at June 30, 2017, the authorized share capital consisted of:

- a) Unlimited number of common shares with no par value.
- b) Unlimited number of Class A common shares with no par value.
- c) Unlimited number of convertible and redeemable preferred shares, issuable in series, voting, with a cumulative dividend accruing at 4.5% compounded quarterly as and when declared. Retractable by the holder and redeemable by the Company at an amount that is the greater of: a) the original purchase price plus any declared but unpaid dividends and b) the as-if converted value (convertible 1:1 for common shares, subject to adjustment for declared and unpaid dividends) (the “Class A to V” preferred shares). Prior to any conversion, the preferred shareholder who was converting was entitled to receive a return of capital in an amount equal to the amount paid by the shareholder to the Company for such shares less the value, at the time of the issuance of the preferred shares, of the common shares issuable upon conversion of those preferred shares (the “Return of Capital Right”).
- d) Unlimited number of redeemable preferred shares, non-voting with a cumulative dividend accruing at 4.5% compounded quarterly as and when declared. Retractable by the holder and redeemable by the Company at an amount equal to \$1.00 per share plus accrued and unpaid dividends (the “Class W” preferred shares).

On May 25, 2017 preferred shares issued as deferred compensation to LVHS were vested under an accelerated vesting agreement. The accrued compensation had been reclassified to redeemable preferred shares on the consolidated statements of financial position.

On June 8, 2017, the Supreme Court in British Columbia (the Company’s governing jurisdiction at the time) granted an order (the “Rectification Order”) to amend and rectify certain language in the articles of the Company and to create 22 separate classes of preferred shares. The purpose of the order was to clarify the Return of Capital Right (as defined herein) of preferred shareholders and to facilitate the payment of a cumulative 4.5% dividend upon declaration prior to the conversion of preferred shares into common shares. **The amended articles had been considered in the accounting for the preferred shares on a prospective basis.**

As part of the Initial Offering, the Company further reorganized its share capital pursuant to the Reorganization. The above description as at June 30, 2017 is a description of the Company’s share capital after the receipt of the Rectification Order, after an amendment to the Company’s articles to create the Class W preferred shares but prior to the Reorganization (refer to the “*Initial Public Offering*” section above).

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management’s best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments made by management in applying our accounting policies and key sources of estimation of uncertainty were the same as those applied and described in Note 3 in the accompanying notes of our Company’s audited consolidated annual financial statements for the year ended December 31, 2017. Items subject to significant estimate uncertainty and critical judgements which have the most significant impact on the amounts

recognized in the consolidated financial statements are included both below and in the annual audited financial statement notes.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

We employ significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. We make estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. We review these decisions at least once each year or when circumstances change. We will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

Long-lived assets valuation

We perform impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash-generating units (“CGU”) for the purpose of impairment testing. We assess impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumption. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect our future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by us turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or “best before” dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net income (loss), and comprehensive income (loss) will be affected in future periods.

Trade merchandise allowances and other trade discounts

We provide for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include: (i) the projected level of sales volume for the relevant period; (ii) customer contracted rates for allowances, discounts, and rebates; and (iii) an amount based on the historical rate of returns. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, accounts payable and accrued liabilities, net income (loss), and comprehensive income (loss) will be affected in future periods.

Employee benefit plans

The cost of post-employment medical benefits and the present value of the benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual

developments in the future. These include the determination of the discount rate, mortality rates and future benefit cost increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Inflation, health care and dental costs are based on expected trend rates for the respective segment.

Measurement of fair values

A number of our accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of our financial and non-financial assets and liabilities.

Tangible and intangible assets acquired through the business combination are initially recorded at their fair values based on assumptions of management. These assumptions include the future expected cash flows arising from the tangible and intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date which approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net income (loss), and/or comprehensive income (loss) will be affected in future periods.

Taxes

The calculation of current and deferred income taxes requires us to make estimates and assumptions and to exercise judgement regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense in the consolidated statements of operations and comprehensive income (loss) and may result in cash payments or receipts.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgements may result in a change in our income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Significant Accounting Policies

Our audited consolidated annual financial statements have been prepared in accordance with IFRS and our significant accounting policies are described in Note 2 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2017.

Accounting Pronouncements Issued But Not Yet Effective

New accounting pronouncements are issued periodically that affect our current and future operations. We intend to adopt these standards when they become effective.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases", and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if entities have also applied IFRS 15.

We are currently evaluating the impact of these new standards, interpretations and amendments on our consolidated financial statements.

IFRS 9 "Financial Instruments: Classification and Measurement"

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment and a new hedge accounting model with corresponding disclosures about risk management activity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Management plans to adopt the new standard on the effective date, including the new hedge accounting guidance. During 2017, we commenced an assessment of all three aspects of IFRS 9. Based on the assessment performed thus far, the adoption of IFRS 9 is not expected to have a material impact on the consolidated financial statements. We do not intend to restate prior year comparatives and any adjustment will be applied to opening retained earnings as of January 1, 2018.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), which replaces IAS 18, "Revenue", IAS 11 "Construction Contracts" and various revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model where revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after January 1, 2018.

We are in the process of completing our evaluation of IFRS 15, including the review of our customer contracts. Based on the assessment performed thus far, we do not expect that IFRS 15 will have a material impact on the amount and timing of revenue recognized, however additional disclosure requirements are expected.

IFRS 2 "Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2"

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. We are assessing the potential effect of the amendments on our consolidated financial statements.

IFRIC Interpretation 23 “Uncertainty over Income Tax Treatment”

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. We will apply interpretation from its effective date, which may affect our consolidated financial statements and the required disclosures. In addition, we may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s DC&P as at December 31, 2017 and have concluded that the Company’s DC&P was effective as at December 31, 2017 subject to the scope limitation described below.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to design the Company’s ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR as at December 31, 2017 and have concluded that the Company’s ICFR was effective as at December 31, 2017, subject to the scope limitation described below.

There have been no changes in the Company’s ICFR during the three-month period ended December 31, 2017 which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

Scope Limitation on Disclosure Controls and Procedures and Internal Control over Financial Reporting

As permitted by securities legislation, for the twelve months ended December 31, 2017, we have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of Body Plus and Sonoma, which are wholly-owned subsidiaries of the Company acquired as of January 31, 2017.

Included in our audited consolidated annual financial statements for the year ended December 31, 2017 are the following amounts pertaining to Body Plus and Sonoma, respectively.

(\$ in 000's)

**As at December 31,
2017**

Selected Financial Position Data:

Body Plus

Total assets	89,457
Total non-current liabilities	12,873

Sonoma

Total assets	9,450
Total non-current liabilities	188

(\$ in 000's)

Selected Statements of Operations Data:

**Three months ended
December 31, 2017**

**For the year ended
December 31, 2017 ⁽¹⁾**

Body Plus

Revenue	8,892	34,977
Gross profit	4,001	12,202

Sonoma

Revenue	2,462	9,262
Gross profit	843	3,878

(1) Results reflect the eleven month period post acquisition as of January 31, 2017.

Limitations of an Internal Control System

We believe that any Disclosure Controls and Procedures or Internal Control over Financial Reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future conditions.

Outlook

In fiscal 2018, we expect revenue to range between \$325.0 million - \$335.0 million, Adjusted EBITDA to range between \$67.0 million and \$69.0 million and Adjusted diluted earnings per share to range between \$0.83 and \$0.87. Revenue in the Jamieson Brands segment is expected to increase 7% to 10% and be driven by growth in the innovation, international and base business. Revenue in the Strategic Partners segment is expected to grow between 6% and 12% due to strong consumer demand for our customer branded products. We also expect to incur certain non-recurring expenses related to the integration of our existing health food businesses including the consolidation of our separate supply chain activities. The expected Adjusted EBITDA range for fiscal 2018 referred to above reflects the adding back of these expenses, which will impact net income. Our Adjusted Net Income for fiscal 2018 will also reflect the adding back of such expense on a tax-effected basis.

The foregoing financial outlook is based on the following assumptions for fiscal 2018, amongst others:

- the current exchange rate between the U.S. and Canadian dollar whereby U.S.\$1.00 = \$1.25;
- interest rates of 4.5% on borrowing plus our deferred financing fees; and
- income tax rates of approximately 28% based on non-deductible stock compensation expenses and compensation costs related to the acquisition of Body Plus and Sonoma
- a fully diluted share count of approximately 39.8 million shares

The description of our 2018 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the consumer health industry as a whole and the VMS and sports nutrition segments of the consumer health industry in particular, and has been calculated using accounting policies that are generally consistent with our current accounting policies. The description of our 2018 outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "*Forward-Looking Information*" and "*Risk Factors*" for a reference to the risks and uncertainties that impact our business and that could cause actual results to vary.

Current Share and Option Information

As of the date hereof, an aggregate of 37,851,516 common shares and no preferred shares are issued and outstanding. As of the date hereof, the Company had 2,952,605 options outstanding.

Additional Information

Additional information relating to our Company, including our most recent quarterly reports and Prospectus are available on SEDAR at www.sedar.com.

Risk Factors

We are exposed to a variety of financial risks in the normal course of operations including credit risk, market risk and liquidity risk, each of which is discussed below. Management oversees the management of these risks. Our financial instruments and policies for managing these risks are detailed below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to us. We are exposed to credit risk from our customers (primarily related to trade accounts receivable) in the normal course of business. We have adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, we carry out regular credit evaluations and purchase credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

We are also exposed to counterparty credit risk inherent in our financing activities, trade receivable insurance and foreign currency derivatives. We have assessed these risks as minimal.

Market Risk

Market risk is comprised of foreign exchange risk, interest rate risk and commodity price risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily from transactions in US dollars such as a portion of trade accounts payable, trade accounts receivable and cash.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our accounts receivables and accounts payables are non-interest bearing. Our exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

Commodity Price Risk

We are exposed to price risk related to purchases of certain commodities used as raw materials. We may use fixed price contracts with suppliers to mitigate commodity price risk. Concentration in any one raw material is not significant to us.

Liquidity Risk

Liquidity risk is the risk we will not be able to meet our financial obligations associated with financial liabilities. We are exposed to this risk mainly in respect of our accounts payable and accrued liabilities, various long-term debt agreements, obligations under our post-retirement benefits plan and operating lease commitments.

We manage our liquidity risk through continuous monitoring of our forecast and actual cash flows and also through the management of our capital structure. We continually revise our available liquid resources as compared to the timing of the payment of liabilities to manage our liquidity risk.

Subsequent Events

On January 31, 2018, the Company paid the former owner of Body Plus and Sonoma a reduced Holdback Amount of \$5.5 million (representing a \$2.0 million reduction) in exchange for the Company transferring the seller the amounts held in escrow in relation to the general and tax indemnities and releasing the former owner from the Company's post-closing indemnification rights under the purchase agreement (see "*Acquisitions*").